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# The AMERICAN OBSERVER

*A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. —James Monroe*

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JULY 26, 1933

## Merit System Issue Threatens to Arise

Many Important Offices Are Handed out as Spoils Recalling Days of Andrew Jackson's Rule

BUT COURSE NOT CONSISTENT

Several Departments on Strict Merit Basis and President Believes in It

By Max Stern

The Spoils System, banished as a governmental policy fifty years ago, is knocking at Democracy's door in Washington more menacingly than at any other time in a generation.

By a strange contradiction the party of the New Deal is being charged with winking at a deal as old as the "Reign of King Mob," back in the days of Andy Jackson. Franklin D. Roosevelt, famed for his expert government at Albany and his "Brain Trust" at Washington, is being plagued by the four-year locusts of his party, who have succeeded in marring his brilliant record with a series of attacks on Civil Service and the Merit System that bid fair to furnish the Republicans a major issue in 1934 and 1936.

### Spoils System

The other day the Honorable William F. Stevenson, elderly ex-congressman from South Carolina who is known to his familiars as "Seaboard Bill," sat at his desk in the Commerce Building. He had just been named head of the Federal Home Owners Mortgage Corporation and charged with the spending of \$2,200,000,000 of government money in behalf of oppressed small home mortgagors. He was telling the press how he was manning his great nationwide credit system with the help of congressmen, senators and Democratic county committeemen.

"What about the Merit System?" a reporter asked him.

"Merit System?" queried Seaboard Bill, "What do you mean?"

At another desk in the nearby Agriculture Building sat ex-governor Theo Bilbo of Mississippi. The press found him engaged with scissors and paste-pot clipping—at \$6,500 a year—pieces out of newspapers. His contribution to statescraft that day was the suggestion that the cotton surplus could be removed faster than boll weevils work if the ladies of America could be persuaded by the government to wear cotton stockings and undies.

At another desk a big National Recovery Administration executive, who came to Washington at his own expense, was complaining that he could hardly get down to work because of the string of pestiferous congressmen who filed through his office demanding jobs for their constituents.

These stories are typical, and paint one side—the dark side—of the current Washington scene.

### Where Merit Prevails

It would be untrue and unfair to say that the Spoils System has won over the Merit System. The new agricultural services, from Secretary Henry Wallace down, are manned, for the most part, by brilliant, serious-minded specialists. Secretary Harold L. Ickes, a Progressive Re-

(Concluded on page 7, column 1)



—Brown in N. Y. HERALD-TRIBUNE  
THE ROAD "WORKER" GIVES NOTICE

## Reflections on the Conference

Cynicism and pessimism mark most of the comment relative to the World Economic Conference which is closing with so little of a concrete nature to its credit. The hopes which had been entertained by the optimistic have, of course, not been realized. Currencies are not to be stabilized. Tariffs and other trade restrictions are not being removed. No definite and effective program of production control for agricultural products has been devised. All this is discouraging enough, but it does not necessarily lead to the conclusion that the conference result is nothing but wasted effort. Two competent observers have returned from Europe with the belief that a groundwork has been made by the discussions of the conference for future constructive action. Dr. Nicholas Murray Butler says that: "The Economic Conference has accomplished much more than lies upon the surface. It has taught men from various lands better to comprehend the special problems of other peoples and to begin to think in common terms with their fellow delegates from different countries." And Walter Lippmann makes this comment: "There were collected in London a very large number of eminent men, and in the long intervals while they waited for the Committee on Committees to choose the subcommittee to which the latest proposal to form a committee was to be referred, there was a large amount of honest and penetrating discussion of the real questions which trouble mankind. It is in this exchange of ideas, though they have produced no immediate practical result, that there is a certain compensation for the time and energy and money spent on bringing the conference together." These men agree that constructive results must wait until the experiments involved in the Roosevelt recovery program have been tried out. The United States government is engaged in a vast effort to raise prices and promote industrial activity. It holds in reserve a possible manipulation of the currency to bring about that result. To date the experiment appears to be working. Industry is advancing at an almost feverish pace and the world is watching the resolute leadership of America with eager interest. If the recovery program succeeds in America and if our currency can then be stabilized—a thing which Dr. Butler thinks may happen within half a year—then international discussions may be resumed, currencies may be stabilized, trade channels opened and something like normal international relations may be resumed.

## Recovery Is on Way In Many Countries

Trade and Business Figures Show that Improvement Is General Throughout the World

IS MOST MARKED IN AMERICA

But Stores of Goods Are Short Everywhere and Demand Is Being Stimulated

Will the United States lead the world out of depression? Has the unprecedented upturn in business conditions throughout this country instilled new courage—new hope—in the hearts of foreign peoples? Time only, of course, will provide answers to these questions. But this much we do know. Up to the time that President Roosevelt took office and began his decisive campaign to rehabilitate our economic life, nearly all nations were sinking deeper and deeper into the abyss of depression. There was no indication that adverse forces had spent themselves and that the world economic barometer would start a gradual course upward.

### Hopeful Outlook

However, during the last four months, foreign countries have been witnessing a change for the better—slight, to be sure, but nevertheless a change,—which has ushered into the chaotic scene a feeling of optimism, of promise for the future. Let us examine the extent of the upturn and see what action is being taken by certain governments to aid recovery.

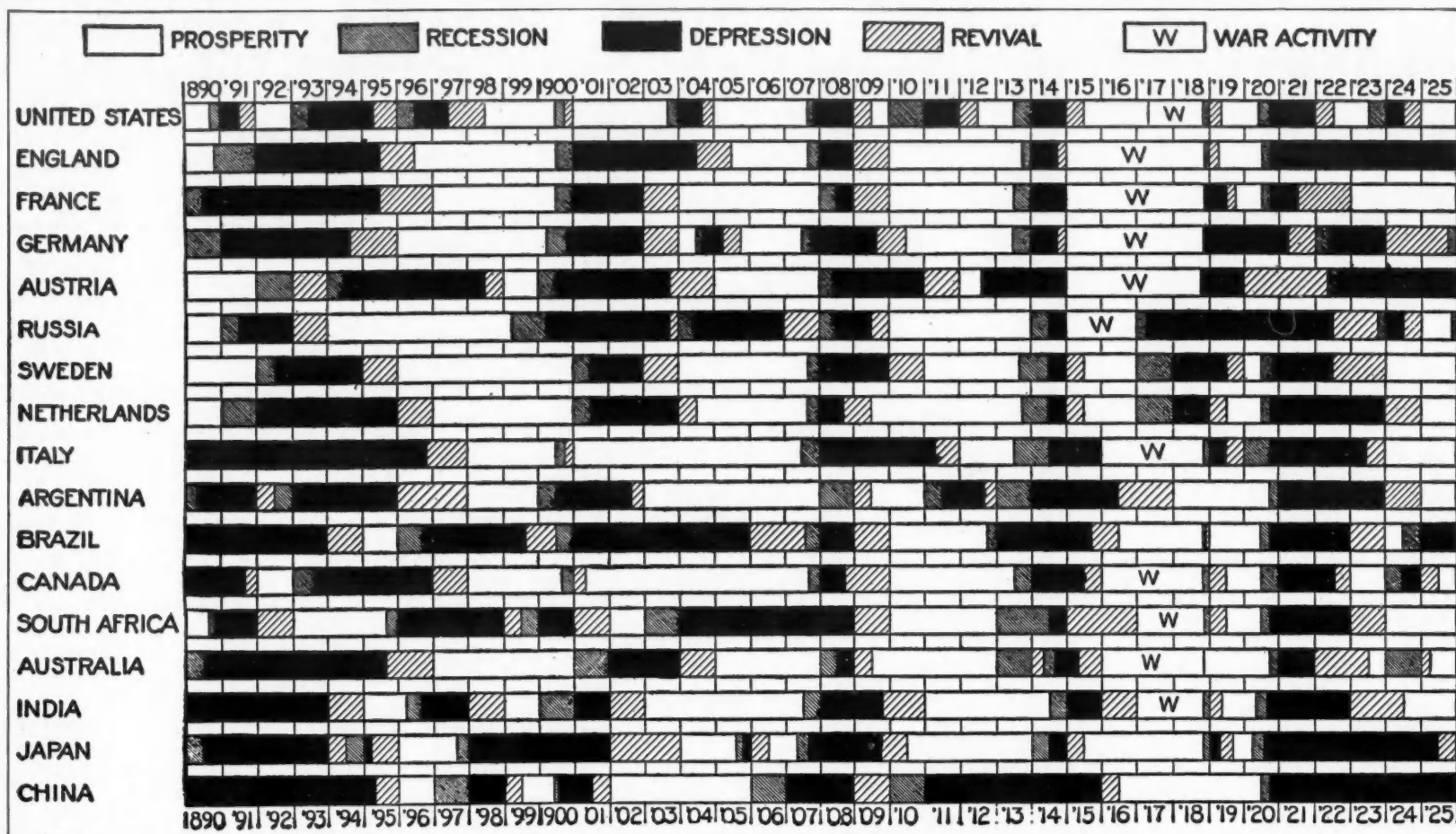
In Germany unemployment fell below 5,000,000 last month for the first time since 1931; it had been over 6,000,000. Germany's immense industrial cities are beginning to take on a greater air of activity. Her furnaces and foundries are thundering out more and more iron and steel products. Her mills and factories are coming to life and her great chemical and dye works—the largest in the world—are increasing their output considerably. Being the largest European producer of iron, steel, electrical machinery, dyes and nitrates, Germany is anticipating large foreign markets for these products, if the world economic improvement continues.

Railroad freight traffic, which is always a good indicator of general business improvement, is gaining momentum in Germany. The daily average of carloadings for the week ended on June 24 were 107,200 as compared to 98,800 in the corresponding week last year. The building trade has gained 16 per cent since the first of the year and the automobile industry has jumped 18 per cent over the same period.

### Foreign Trade

Chancellor Hitler is worried, however, over Germany's decline in foreign trade. During the last six months German exports have fallen 20 per cent. Since Germany is heavily in debt, she must have much greater exports than imports in order to earn the necessary money with which to pay her debts. While she does have a favorable balance of trade—more exports than imports—it is not favorable enough to meet her debt obligations. So a partial moratorium has been called on her private debts to foreigners until her trade with other countries improves. And so long as Germany remains on the gold standard,





—From "Business Cycles" by Wesley C. Mitchell

This chart indicates the interdependence of the nations of the world. Over a period of 35 years, from 1890 to 1925, it shows recurrent waves of prosperity and depression in ten leading countries. With few exceptions, the nations went through and emerged from depressions together. If the chart had been brought up to date, every country of the world would have been marked by the black lines of depression during the years 1929-1933. Now, however, there appears to be a simultaneous upturn in many nations.

it will be difficult for her to compete with nations whose currencies have departed from gold. It is much cheaper for foreign buyers to trade with nations whose currencies are depreciated. Despite the factor of foreign trade, however, with the tremendous burden of reparation payments generally considered a thing of the past (as a result of Lausanne), Germany is in a splendid position to move forward.

The Hitler government has announced a program to aid German recovery which, in several respects, resembles the one being carried out in this country. It expects to reduce unemployment through large expenditures on highways and other public works. It has formed a super-council composed of government and industrial leaders to map out a campaign to reduce unemployment in the cities. Efforts are also being made to decentralize the population. Small plots of rural land are being offered at exceedingly reasonable prices. The objective is to make the industrial centers less crowded and to enable the people to support themselves in part by raising their own food. The remainder of their livelihood could be obtained by working a few days in some nearby factory community.

#### What About England?

Turning to England we find that a general price rise of 2.3 per cent has taken place in that country since April. Men have been going back to work for the last four months, reducing the total number of unemployed to slightly less than 2,500,000, the lowest figure since 1931. The value of retail sales showed a sudden and very general advance in April, after a succession of 30 months of almost uninterrupted decline. Shipbuilding, which is one of the very large industries of England, is picking up. The huge shipyards and coal mines at Newcastle are reemploying thousands of men. The tanning industry is working at full capacity. As England leads all the world in the manufacture of cotton and woolen goods, she is naturally benefiting by the general increase in the prices of these products. Particularly Manchester and Leeds, the centers of the cotton and woolen industries, are beginning to feel the pleasant effect of increased orders and higher prices.

England has accomplished a difficult task, of late, which places her on a sounder

financial basis. She has reduced the cost of carrying her public debt by 30 per cent. She did it in this way. During and immediately after the war she contracted this great debt by borrowing money from her people. The government issued bonds, and paid interest at 5 per cent. Last year it felt the necessity of cutting down the tremendous charges, but could not do so by decree. It had made contracts with the bondholders by selling them the bonds—contracts to pay 5 per cent interest. The government could, however, appeal to the bondholders voluntarily to give up their bonds bearing 5 per cent interest and receive in return bonds paying 3½ per cent. The appeal was made on grounds of patriotism, and it succeeded. This "conversion" plan, as it was called, saves the British government \$100,000,000 a year, or 30 per cent of the total debt charges.

As to England's prospects of recovery, much will depend upon whether the nations of the world continue in their present nationalistic trend or whether trade obstacles will be removed. England, 93 per cent an industrial nation, must have markets for her manufactured goods in order to buy food products from other countries.

#### Not So Serious

Now for France. The depression was never so serious there as in other countries. The high peak of unemployment was only 283,000, and this number has been considerably reduced during the last few months. The great industrial area in Northern France is beginning to hum. There is a fair-sized improvement in the coal industry. Production in iron and steel is higher than at any time since 1921. The silk mills in the vicinity of Lyon are increasing their activities. The grapegrowers around Bordeaux are anticipating a large wine business with the United States, if prohibition is repealed.

The French government has taken measures to aid the wheat farmers, who have not been receiving enough for their grain to pay the expenses of raising it. Their purchasing power will be increased by a minimum price—similar in purpose to our processing tax—which was placed on wheat just before the Chamber of Deputies adjourned. The price which was set enables the farmer to obtain a fair amount of profit for his efforts.

Everything is not a bed of roses for France, even though she is in a better position than most nations. Like Germany, her foreign trade has been severely hurt by nations going off the gold standard. Moreover, the 1933 French budget is expected to show a huge deficit. The treasury will have to borrow either at home or abroad to meet operating expenses. The reason for this deficit is that the French people simply rebelled against paying taxes. Knowing how the people felt, the Chamber of Deputies defeated every cabinet that proposed an increase in taxes. This is not a serious matter, though, as France has sufficient gold reserves to keep her credit intact.

#### "Sunny Italy"

In Italy we find that wholesale prices have risen steadily through May and June. The wheat crop is one of the best ever, and may, for the first time, be sufficient for Italy's needs next winter. Tomato shipments to America are much heavier than last year. Considerable gains have also been shown in the production of steel, zinc, cement, rayon and electricity. Cotton spinners are working at 74 per cent of capacity and weavers at 70 per cent. This is a great increase over several months ago. Unemployment has decreased by several hundred thousand in the last few months, bringing the total down to 1,000,000. And the tourist trade in "Sunny Italy," which brings into the country a large amount of money each year, has started off unusually well this season.

Canada reports the best early summer business for over two years. The general price level rose 4.8 per cent in May, the biggest advance since 1931. The largest producer of nickel in Canada has increased output from 20 to 40 per cent. Wage increases are being made by lumber companies. Shut-down coal mines are being opened to fill railway orders due to increased freight activity. Canadian factories turned out 9,396 motor vehicles in May, the largest number since May, 1931.

The upturn is not limited to the places already mentioned. Country after country is showing gains in employment, prices and production. While no other country has undergone such a spectacular improvement as the United States has, there is

nevertheless a strong enough upward movement in most of the larger nations to lay a basis for more permanent recovery.

#### Other Depressions

Moreover, if the experience of earlier depressions holds true to form, the world should be in for several years, at least, of prosperous times. As the chart on this page shows, the family of nations, with few exceptions, go through and come out of periods of adversity together. Hence the simultaneous upturn which has occurred in the various countries during the last four months would seem to indicate that history is repeating itself. With confidence greatly restored, the tremendous forces making for recovery should assert themselves as they have in the past. People cannot go on forever without replenishing their depleted stocks of goods.

#### HENDERSON URGES DISARMAMENT

Arthur Henderson, President of the World Disarmament Conference, is bending every effort to pave the way for disarmament action next October, when the Geneva conference resumes its labors. He is traveling from one European capital to another, discussing disarmament with officials of the various governments. He has finally decided upon what he considers a necessary step before concrete results can be obtained; namely, that Premier Daladier of France and Chancellor Hitler of Germany get together and have a heart-to-heart-talk.

It is generally realized that the wide divergence of views between France and Germany has been the stumblingblock to all disarmament negotiations. Germany insists upon rearming up to the strength of other European powers and France fears for her security if Germany should do so. It is for this reason that Mr. Henderson desires to bring Premier Daladier and Chancellor Hitler together. If these two would have frank and lengthy discussions with each other, Mr. Henderson says, they could accomplish more in ironing out fundamental differences than could possibly be accomplished through delegates at a conference.





N "avalanche" of fair competition codes started last week. General Johnson was swamped with trade agreements representing many industries. One million people, it is said, are already receiving higher wages or working shorter hours as a result of the "New Deal." Despite the hurried action which the nation's industries are taking in the matter of codes, General Johnson and President Roosevelt were expected to issue a blanket code for all business without waiting for approval of each individual code. The blanket measure would establish somewhere in the neighborhood of a 40-hour maximum week for mercantile companies and a 35-hour maximum week for industry, with minimum wage scales of 15 dollars and 14 dollars respectively. Then as fast as the single codes should be approved, they would in each case supersede the general code. The government plans to make the greatest publicity drive in launching its recovery program that has been made since the Liberty Loan campaign during the World War.

### Gandhi Makes Peace

Mahatma Gandhi has at last made peace with England. He has agreed to abandon the civil disobedience campaign which has been carried on in India against British authorities. Also, he and his followers are said to be ready to cooperate in framing a new Indian Constitution. As a result of Gandhi's decision, the British government is expected to release thousands of political prisoners belonging to Gandhi's National Congress Party.

The disobedience campaign, of which Gandhi has been the leader, included a boycott against all British goods. The manufacture of native cloth by primitive methods was encouraged to take the place of English cotton textile goods sent to Indian markets.

### Advice to Kidnapers' Victims

Attorney General Cummings has made several suggestions to those who may in the future be affected by kidnapping. He has requested that the families of kidnapers' victims notify immediately the Bureau of Investigation of the Department of Justice as to all facts in the case. "The Department of Justice has the national fingerprint clearing house in Washington, and with that and its auxiliaries we have a powerful weapon against crooks of the kidnapping variety," Mr. Cummings said.

He also declared that families of victims should not make public the facts of the crime. To do so, said Mr. Cummings, might endanger the life of the person kidnaped. Any information turned into the Department of Justice, he said further, will be kept strictly confidential.

### Civil Service Extended

President Roosevelt has issued an executive order placing all postmasterships in the United States under civil service rules. The order directly removes from political control more than 15,000 postmasters of the first, second and third classes. The fourth-class postmasters, numbering 32,672, are already under civil service regulations.

The president has long been an advocate of civil service rules. He does not believe in the "spoils system." He has asked Postmaster General James A. Farley to draft legislation for presentation to the next session of Congress, which would permanently separate postmasterships from the game of politics.

### England and Public Works

England has made it known that she positively will not launch a public works program to relieve her unemployed. This announcement was made by Walter Runciman, Britain's President of the Board of Trade, to the members of the economic commission of the World Economic Conference. "We have in recent years devoted £100,000,000 to schemes of this kind," he said. "In our view it is unduly expensive and an experiment we are not going to repeat."

Another reason why the British are not anxious to spend any more than necessary

at the present time is because of the tremendous tax burden which the British people are already bearing. They pay several times higher taxes than do people of this country.

### Butler Supports Roosevelt

Dr. Nicholas Murray Butler, president of Columbia University, has returned from Europe where he visited the London economic conference.



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NICHOLAS M.  
BUTLER

He said upon arriving that President Roosevelt is 100 per cent correct in his assertion that the dollar, pound and franc cannot be stabilized in relation to each other until the dollar has found its own new level in terms of present-day needs. "The readjustment of prices," he continued, "which is now going on in the United States is similar to what happened in France and Italy a number of years ago and in England two years ago. While this adjustment is going on, to interfere with it is like asking a tightrope walker to stand still and have his picture taken."

As soon as the dollar reaches the right level, however, and prices in this country adjust themselves accordingly, Dr. Butler says, then stabilization should be brought about, tariff barriers should be lowered and world trade encouraged in other ways. Dr. Butler said that the eyes of the world are focused on President Roosevelt, and if his policies succeed, they are likely to be followed, at least in part, by other countries.

### South American Trade

President Roosevelt apparently does not intend to adopt a policy of complete economic nationalism. He has notified a number of South American republics through our state department, that he wishes to explore the possibilities of trade agreements between the United States and these countries. The president has already started trade conversations with officials of Argentina, Brazil and Colombia.

### Japan's Growing Population

It is easy to see why Japan is constantly pushing on into new territory. She leads all other nations in the rate of growth of her population. The natural increase last year was 1,007,868. Greater significance is lent to Japan's rapidly growing population when it is considered that only about one-fifth of the area of these Pacific islands is tillable. The density of Japanese population is four times greater than England's and three times greater than Belgium's.

### Electrical Code

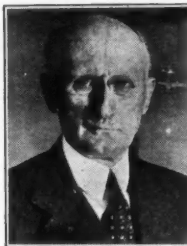
The National Electrical Manufacturers Association has presented its code to General Johnson, industrial administrator. It provides for a minimum wage of 35 cents an hour and a 36-hour week for workers engaged in processing of products. Other employees would receive \$14 a week as minimum pay and work a 40-hour week. Child labor would be abolished.

About 300 companies which represent 75 per cent of the production of the industry are members of the electrical association. In normal

times these companies employ about 250,000 men.

### Iron and Steel Code

Last week the iron and steel industry, backbone of the American industrial system, submitted its code to General Johnson, commander-in-chief of the recovery forces. The code was presented by Robert P. Lamont, president of the Iron and Steel Institute, on behalf of 90 per cent of the total steel ingot production. It establishes a 40-hour week and minimum wages of from 25 to 40 cents an hour. The large producing areas would be compelled to observe the 40 cents an hour minimum. On the same day that the steel code was presented, wage increases from 15 to 25 per cent were effective at once, were announced for 100,000 workers by leading steel plants in various parts of the country.



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ROBERT P.  
LAMONT

### Code for Coal Industry

The long-awaited coal code has been submitted to General Johnson. It provides for minimum wages of five dollars a day for underground workers and four dollars for outside workers, calls for a 36-hour week and gives permission to southern mines to fix wages at five per cent less than in the northern fields. This code is expected to be approved by General Johnson, as it provides immeasurably better conditions for the miners than they have been accustomed to in the past.

### Gains for Repeal

The movement to repeal the Eighteenth Amendment goes on irresistibly. The victory for repeal in Alabama and Arkansas is most significant. The elections in these states brought the total number of states voting on repeal to eighteen, and eighteen have voted to do away with prohibition and not one has voted to sustain it. But the significance of last week's balloting lies in the fact that the supposedly dry South has been invaded and has been shown at this time to be wet.

Alabama adopted statewide prohibition in 1907 when only four other states were dry, but repealed the law in 1911 and enacted it again four years later. Arkansas went dry by state law in 1915. In the *Literary Digest* poll of 1930, Arkansas was one of five states which showed more votes for enforcement than for modification and repeal combined. In that poll the states, according to their dryness, ranked as follows: Kansas, North Carolina, Tennessee, Arkansas, Oklahoma and Alabama. Now that the South is going wet there seems little chance of blocking the movement to take prohibition out of the national constitution.



WHERE TRADE EXPANSION IS SOUGHT

### Public Works Progress

President Roosevelt has definitely decided not to delay in the matter of spending the \$3,300,000,000 public works fund. Just as fast as worthy projects can be found, Mr. Roosevelt said a few days ago, the money will be spent. Already, \$1,300,000,000 has been set aside for crop loans, for river and harbor projects, and for public highways.

The president is opposed to

the views held by certain of his advisers that the money should not be spent unless necessary. He believes it will mean the employment of hundreds of thousands of men, more purchasing power, and a genuine step toward normal times. The money, he says, will be spent carefully but swiftly.

### Relief Burden Lightens

Relief costs are being reduced as a result of newly created jobs in nearly every section of the nation. All but a few states report that they spent less last month on unemployment relief than had been the case for a number of months previous. This is not to say, of course, that the problem of caring for the unemployed is a thing of the past. But it is very encouraging to know that thousands of families have been taken off the relief lists.

### W. E. C. Adjourns

The delegates of the World Economic Conference have decided to adjourn July 27. The conference has just been marking time since the United States refused to enter stabilization agreements. When, if ever, the conference will meet again has not been agreed upon.

Dr. O. M. W. Sprague, financial adviser to the American delegation at the conference, said upon his return from Europe last week that President Roosevelt was positively right in refusing to stabilize at this time. "Until we are more certain of internal developments here," he said, "it will be difficult to reach arrangements with other countries. The internal program takes precedence over anything else. When asked why it had not been foreseen that nothing could be accomplished at the conference, he retorted that it would have been a human impossibility to have anticipated everything that has happened since March 4."



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O. M. W.  
SPRAGUE

### Rail Chiefs Must Cut Pay

Large salaries of railroad executives must be reduced immediately, says Joseph B. Eastman, Transportation Coordinator. He has informed the heads of the principal railroads that their salaries, despite slight reductions which have been made, are entirely too high for these times. In his statement to the executives, he said:

"I believe you will understand that I am not trying to bullyrag you, nor appeal to the galleries. Nor am I passing out censure for what has been done. The salaries to which many executives attained were a symptom of the boom disease and not a subject for personal blame. I believe very sincerely that there must be an adjustment of this matter of salaries before the railroads will stand right with the shippers, investors and labor under conditions which now exist."

### Philippine Independence?

Philippine islanders are in a state of tension over the question of independence. It is the most vital issue they have had to decide upon since the United States took control over the islands. They are torn between two conflicting emotions. In the first place, the islanders are 100 per cent strong in their desire for independence at any price. On the other hand, one of their favorite leaders, Manuel Quezon, president of the Philippine Senate, is drastically opposed to the Hawes-Cutting independence measure which was passed by our Congress last session.

Senor Quezon believes that we are responsible for making the economic life of the islands dependent upon trade relations with this country. Therefore, if we should grant the islanders their independence in the near future, and raise our tariffs against their products, Mr. Quezon contends it would be fatal for his people. He ardently desires independence but he wants his countrymen to reject the severe Hawes-Cutting bill, and put up a fight in the next session of Congress to gain independence on better terms.

However, Senor Quezon is confronted with stiff opposition among his people. His opponents want independence, regardless of the future. They are afraid that if the congressional bill is turned down by them, the next session of our Congress will refuse to act further.



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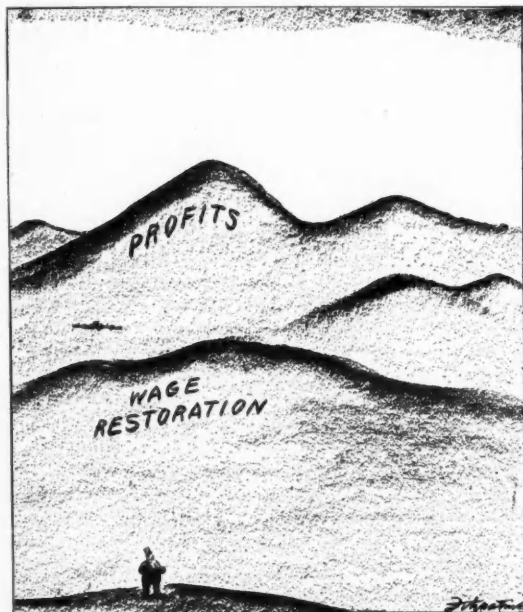
## Drastic Recovery Measures

Leaders of the Roosevelt administration are contemplating dramatic action to speed and strengthen the recovery movement. There is under consideration a plan for the administrators of the National Industrial Recovery Act to proclaim a schedule of hours and wages for American industry and to ask all industrial establishments to conform to the schedule. The work of establishing codes for the various industries is going on at a fairly rapid rate. Most industrial leaders are cooperating in the undertaking. Industry after industry is submitting codes prescribing the practices which shall be binding upon firms within the industry. These codes fix maximum working hours and minimum wages for employees.

The establishment of these codes is having a perceptible effect upon wages and hours. It was reported a week ago that a million workers were already receiving higher wages, or were working shorter hours as a result of agreements which have recently been put into effect in the shaping of industrial codes. In the cotton mills 700,000 workers went on the forty-hour week and it was estimated that 100,000 new jobs were created as a result of the shortening of hours. Steel mills everywhere were reporting the employment of more men and the increasing of pay. Employment in the steel industry had increased by 233 per cent in July over what it was in the spring quarter.

But while this work was going on with fair rapidity, it was not proceeding fast enough to suit President Roosevelt and his advisers. They do not want to wait for several weeks for the new schedules of hours and pay to be put into effect. That is why they are proposing to suggest to employers in all industries that pending the fixing of codes or agreements they go voluntarily to shorter hours, that forty hours be established as the maximum in mercantile establishments and thirty-five hours a week in factories and industrial establishments, and that the minimum wages be fifteen dollars a week in mercantile establishments and fourteen dollars a week in industrial plants.

What is the occasion for such haste at Washington? Why is it that when recovery is proceeding more rapidly than it has ever done after any depression in American history, the government should be so active? Why should it not let well enough alone and allow business, which appears to be getting along so well, take its own course? The answer is that administration leaders are apprehensive about the permanence of the recovery trend. Production is, indeed, increasing, but the products are not being consumed at a satisfactory rate. Retail sales are not keeping pace with production. The factories are



—Fitzpatrick in St. Louis POST-DISPATCH  
BEYOND THE FOOTHILLS LIE THE MOUNTAINS

humming and wholesalers, anticipating higher prices, are laying in supplies. Retailers, acting on faith, are also doing some buying, but the ultimate consumer is not as yet taking care of these increasing stores.

Textile production, for example, has increased four or five times over last year, but, textile retail sales, up to the first of this month was lagging by two per cent under last year's record. And that is not all. Retail sales, slow now, may be further checked in a few weeks by rising prices. Manufacturing costs have already advanced, partly because of higher raw materials and partly by reason of shortened hours or increased wages or in anticipation of these higher costs. Retailers are still selling goods which were bought before the higher wholesale prices went into effect. In most cases the retail prices have not advanced, but they must do so when the stores of cheaper goods have been exhausted. Then a new crisis will arise. It is expected in the textile industry about September. It will probably come in other trades at about the same time.

The trouble is that purchasing power has not risen as rapidly as production has; hence, the fear of a glut of the market such as produced the crash of 1929. In a number of industries economy in production has been learned during the depression. It has been found that more than was formerly the case can be produced by a given number of employees. And so we hear that while production has been increased lately by 40 or 50 per cent employment has increased by but about 7 per cent. And wages, while up a little, are scarcely keeping pace with higher costs. It is not certain, therefore, that the people will have money enough to buy all the things which the factories are now turning out and which are finding their way into our warehouses and stores.

Hence, the determination of the administration to increase purchasing power and to do it quickly. The effort is being made to accomplish this result by three measures: First, by spreading employment among greater numbers of workers by shortening hours; second, by inducing employers, through the operation of the business codes which are being written, to raise wages, to establish minimum wages and to maintain higher scales all along the line; third, by pushing the government building program thus furnishing increasing employment.

## A Voice of Dissent

It is natural that conflicts of opinion should arise relative to the drastic steps the government is taking to assist the process of recovery. Are these steps, after all, necessary? Is the Roosevelt administration right in its assumption that government interference in the course of business activity is essential? Conservatives wedded to the theory of *laissez faire* (see page six) may be expected to shake their heads doubtfully over the Roosevelt program. It is more significant when progressivism as represented by the *Emporia Gazette* raises its voice in protest. Here is what the *Gazette* has to say:

President Roosevelt and General Hugh Johnson are fearful that the present rise in prices will outstrip the rise in wages, with an unsaleable surplus of goods resulting. Therefore they are attempting to bring up wages and retail prices along with the rise in raw commodities.

These fears are probably groundless, for if left alone the situation would correct itself, and probably do a better job of it without artificial governmental aids. For if hogs and corn should double in price over their recent lows, that means that the farmer will have exactly twice as much money to spend as he had last year. And when he gets his hands on it, he will have plenty of places to spend it. It will go to the grocery store, the clothiers and the garages, and will reflect itself in doubled orders to the wholesalers and the manufacturer. This rush of orders will quickly absorb the labor surplus, and once the surplus of skilled, willing workmen is gone, hourly and weekly wages will rise without any advisory or coercive action from the government.

This depression started in 1928 when commodity prices turned downward. The present upswing is headed by commodities, which in due course of time will pull the rest of our price and wage structures along with them.

Too much monkeying with the price structure, too many well-meaning attempts to hasten the action of the laws of supply and demand, are liable to gum the machinery and scatter sand in the wheels of progress just as they are beginning to turn.

## Economic Nationalism

The nations of the world are unquestionably traveling these days the road of economic nationalism. Each government is undertaking to preserve the welfare of its own people, not by cooperation with the other peoples of the world, not by adopting measures designed to make commerce among the nations easier, but by withdrawing behind national walls and undertaking to go it alone. Of course no country is undertaking complete isolation. A certain measure of international trade is being carried on in spite of all the restrictions that are being imposed. But trade among the nations is not flourishing and is not being encouraged. Our own government, after looking for a while in the direction of cooperation, gave up that gesture and is now building its hopes upon the development of home markets and home trade.

To some people all this will look like a vindication of isolationists. If the whole world is going away from internationalism, is that not evidence that international-



—Kirby in N. Y. WORLD-TELEGRAM

NOT ENOUGH SENSE TO COME IN OUT OF THE RAIN

ism is a false and futile hope? It is no such thing. It is evidence merely that in the course of the economic crisis which has overwhelmed nations during the last few years and in the course of the development of antagonisms growing out of the war, the nations are now turning their backs upon economic reality. They are refusing to see the clear fact that every people could be more prosperous if trade restrictions were removed and if they engaged in party cooperation.

After a while the pendulum may swing the other way. One who looks back upon the pages of history will see many such changes of practice. The practices which prevail at the present moment are not to be thought of as the wisest or the best. The present is but a moment of history. It will soon be washed away by a flood which leads in what direction we do not know, but amidst these changing tides of sentiment and practice it is foolish to assume that an existing institution, belief or practice is wise or unwise simply because it has present acceptance. The chart on page two shows clearly that nations go up and down together. They suffer together and enjoy prosperity together. No nation lives to itself alone and we may confidently expect that if wars can be avoided for a while and if sanity then returns in international dealings this vital fact of international relations will find general recognition.

## Ground for Protest?

The government of the United States has made a protest to Spain regarding the treatment of several Americans who have been arrested in the island of Mallorca and who are being held for trial without bail. They are accused of having engaged in a brawl in a café and of having made an attack upon a Mallorcan officer, a serious charge in that place.

Our government claims that they are being treated inhumanely and it insists upon an immediate trial for them. It is to our credit that we express sympathy for those who are in trouble and that we are concerned that justice be done them. If these Americans are being given harsh treatment because they are foreigners, if they are being denied such protection as is afforded to the Mallorcans, our government has valid grounds for legal protest. But if the law of that land is being followed in this case, we have not much to say. When one travels abroad he is subject to the laws of the land he is visiting, and his government should not demand immunity for him. Much needless international friction is caused by the refusal of governments to follow that rule.

Account should also be taken of the fact that the Mallorcans have suffered exasperation frequently during recent years because of the misbehavior of foreign tourists, many of them Americans. Travelers in foreign lands should always respect the interests and feelings of their hosts.

Once more the Gulf Stream is reported to be changing its course. Probably gone off the coral standard.

—Fort Worth STAR-TELEGRAM

America's economic conference delegates have at last touched a lower official level than being Vice-President.

—Indianapolis STAR

The "brain trust" is one trust which was not designed to operate in restraint of trade.

—Nashville BANNER

If the economic conference lasts long enough the American delegates should be able to acquire a first-class British accent.

—Indianapolis STAR



## Security of People Is Test of a Nation

### Abraham Epstein Analyzes Plans for Social Insurance as Road to Security

A VITAL test of the progress of a society is the degree of security it affords its members," says Abraham Epstein in the opening chapter of his new book on social insurance, "Insecurity: A Challenge to America" (New York: Harrison Smith and Robert Haas, \$4.00). Through all the ages the problem of insecurity has been felt by human beings. In early times man was insecure because of the danger of wild beasts, famine, floods and raids by neighboring tribes. We have gotten away from these primitive forms of insecurity, but we have fallen into other pitfalls. An increasing proportion of the population must work for other people for a living and the jobs upon which everything worth while in life depends may be lost. No class of people under the present economic order of things is secure. Farmers are not. The last few years' experience has proven that. To a greater and greater extent professional men and women are working for salaries rather than independently. Even business executives are not secure.

The great hazards of life which render the mass of human beings insecure are unemployment, illness, accident, old age and death. How to provide against these hazards by collective action so that they may make as light inroads as possible upon human happiness is the subject of Mr. Epstein's book. The author has been a student of these subjects for many years and has written a number of books in the general field. He has served as director of research for the Pennsylvania Commission on Old Age Pensions and is now the executive secretary of the American Association for Old Age Security.

This book of nearly 700 pages goes over the ground of social insurance very well. It discusses the general problems. It analyzes the need of insurance in the United States and then it takes up the different social hazards and explains how social insurance might work to alleviate the distress they engender. There is a valuable description of the experience of other nations in this field of legislation. The author is not an impartial student. He is an advocate of social insurance, but he is fair and reasonable and authoritative in his statements of fact.

### Problems of Money

The Story of Money, by Norman Angell. Garden City, New York: Garden City Book Company. \$1.00.

THIS book furnishes an admirable background for the study of one of the most complicated and yet one of the most persistent economic problems of our time—the problem of money. Sir Norman Angell takes up the story from the beginning. He describes the activities of moneyless

civilizations and then shows how the use of money first appeared and how it developed through the ages. There are chapters on money lending and on the growth of banking institutions. There are analyses of paper money experiments. Finally, there is a discussion of American banking practice from Hamilton to the Federal Reserve System. The concluding chapters bring the reader to the money issues which today disturb the politics of our country and of the world. The gold standard, inflation, the quantity theory of money, all these problems and issues are explained, and the different schools of thought relating to them are given attention.

### A Program for Teachers

A Call to the Teachers of the Nation, by a committee of the Progressive Education Association. New York: John Day. Twenty-five cents.

In the great battle of ideas and values precipitated by the advance of industrial civilization the teachers of the country are inevitably and intimately involved. They cannot stand apart and at the same time discharge their professional obligations. This is due to the fact that they are guardians of childhood, bearers of culture, and, presumably, loyal servants of the masses of the people. These three considerations compel the teachers to action.

As guardians of childhood teachers cannot be indifferent to the operation of social institutions. In normal times they are keenly aware of the injustice and the misery wrought by the existing economic system. They know that capitalism, with its extremes of poverty and riches and its moral degradation of millions, makes an empty farce of our democratic professions and dooms multitudes of children to lives of severe privation. They know that these children will have to forego, not only the luxuries which are literally showered upon their more fortunate brothers and sisters born to wealth and privilege, but even those things demanded by the laws of physical and mental health. Teachers can never be reconciled to a social order that even in days of "prosperity" needlessly violates the deepest loyalties of their calling. Then in years of depression they see additional millions of boys and girls deprived of their social birthright, denied the most elementary material and cultural necessities, and crippled beyond hope of redemption in body, mind, and spirit. They see the youth of the nation bewildered by the deep chasm separating precept from reality and embittered as they beat vainly against the closed doors of occupational opportunity. They even see that no defensible theory of education can be practiced successfully in contemporary society. Consequently, if they are but interested in the lives of children—the central responsibility with which they are charged by the state—they must work boldly and without ceasing for a better social order.

This excerpt from the "Call to the Teachers of the Nation," prepared by a committee of the Progressive Education Association under the chairmanship of George S. Counts, gives an indication of the program which these progressive educators lay



© Ewing Galloway

### AGRICULTURE UNDER COMMUNISM

Government farm agent lecturing to members of a collective farm in Russia.

out for teachers. They are to find out how the American tradition of democracy can be maintained under modern industrial conditions. They are to point the way to wholesome and complete living. In order that these objectives may be obtained there must be a large measure of social reconstruction and teachers must lead in that work. In order to act effectively they must organize lest they be crushed by powerful interests which have axes to grind.

A record is kept of the number of sales of books by the book dealers of the more important cities and the results are compiled weekly to show what are the best sellers in fiction and non-fiction in the various cities. The last published records

show that in New York, Philadelphia, Washington, Chicago and San Francisco "Anthony Adverse" by Hervey Allen (Farrar and Rinehart) was the most popular work of fiction. In Boston and Atlanta "As the Earth Turns" by Gladys Hasty Carroll (Macmillan) was the best seller; while in New Orleans first place was held by "Wife for Sale" by Kathleen Norris (Doubleday, Doran). Other novels ranking high in the different cities include "Little Man, What Now?" by Hans Fallada (Simon and Schuster); "Hill Tops Clear" by Emillie Loring (Penn); "One More Spring" by Robert Nathan (Knopf); "The Album" by Mary Roberts Rinehart (Farrar and Rinehart); "Protecting Margot" by Alice Grant Rosman (Minton, Balch).

## FROM THE CURRENT MAGAZINES

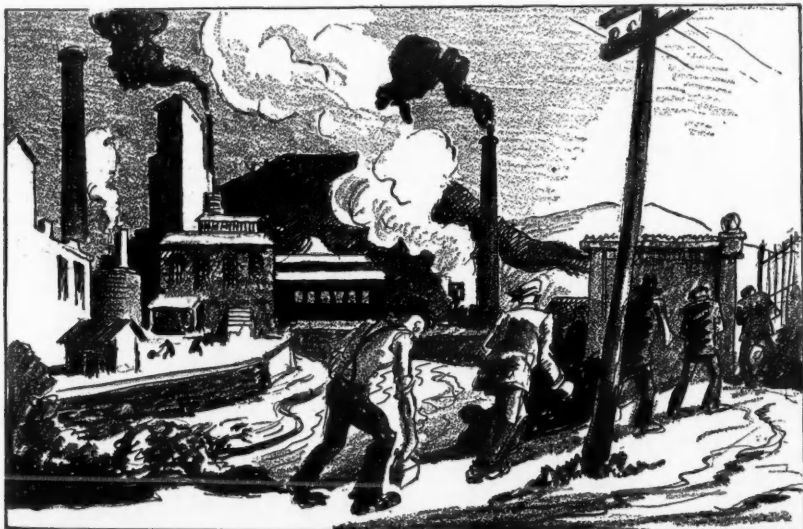
**Agriculture in Russia.** By Hans Zorner. *New Republic*, July 19. A German professor, unsympathetic with the Soviet experiment but a competent critic of agricultural policies, describes the effort of the Russian government to increase agricultural production by the establishment of large scale farming and the exclusive use of machinery. For a time the country was divided into districts, each district to produce a certain article, but the plan has been given up. Labor has been inefficient. It has been hard to keep the machinery in repair. The problems of management have been difficult. Emphasis has been placed upon the number of acres cultivated rather than the efficiency of cultivation. As a result production on the farms is declining. This is the first of a series of articles in which Professor Zorner will evaluate the Russian agricultural experiment.

**"China, Japan and the Philippines,"** by Ralston Hayden, *Foreign Affairs*, July. —The Filipino people, living on islands which would support four or five times their population, lack the necessary capital or character to develop their country rapidly. If the United States should withdraw her protection within the next few years, either Japan or China most certainly would annex the islands. Japan has repeatedly demonstrated that she is not shy in the matter of acquiring foreign territory. And Japanese interests have been expanding in the islands over the last decade. All this is to say nothing of the strategic position of the islands from a Japanese military standpoint. There is grave danger of a conflict between Japan and the United States, if our government continues to weaken this country's position in the Far

East, with Japan in her present militaristic state of mind.

An editorial from *The New Statesman and Nation* (London): July 1.—Are the European powers going to sit idly by and permit Germany to rearm in violation of the Versailles Treaty? Perhaps they have a reason for doing so. Before Hitler came into power there was a real threat of Communism taking over the reins of government in Germany, and then spreading its influence over a wide area of Europe. Hitler has checked this possibility, at least for the immediate future. Do not Great Britain, France and the latter's allies, even as much as they dislike the Hitler régime, favor a strong anti-communist power in Central Europe? There is no doubt but that Great Britain does, as it is no close secret that the British will most likely aid Germany in rearming.

**"Revive the United States Housing Corporation,"** by Henry J. Rosner, *The World Tomorrow*, July.—This corporation was created in July, 1918, for the purpose of furnishing suitable living quarters for munitions workers. Between that date and the armistice—a period of 109 days—construction was started on more than 6,000 homes. They were completed shortly after the war and most of them were sold to individual homeseekers at the unusually low price of \$3,165. Easy terms were granted the buyers, and yet the corporation did not lose money. It is still in existence but inactive. Why not have it resume operations and build homes for the 40,000,000 Americans who are living in extremely undesirable quarters? Give these people an opportunity to obtain decent homes at a low cost!



—From "We the People" by Leo Huberman (Harpers)

INCREASING NUMBERS ARE BECOMING WAGE EARNERS  
This contributes to economic insecurity. Millions depend for their happiness upon the operation of a complex economic system.





**T**HERE is much speculation as to whether the traditional policy of *laissez faire*, or non-interference with industry by the government, shall be given

#### Reversals of Policy in America

up in America in favor of a program of planned economic life. Such a change would mark an abrupt break with the past. It would mean a reversal of fundamental national practices of business and government, but that fact alone does not render the change impossible. The American people have been able in the past to shake off old traditions rather quickly sometimes and to reverse policies of long standing without much preparation.

The abolition of slavery is a case in point. The slavery controversy had of course, been a fact of American political life for a long time. The issue had been thrashed out pro and con in many campaigns. The sentiment had come to prevail in the North that slavery should not be extended, but the notion that it should be abolished by force in the southern states had not gained much headway. The idea of freeing all the slaves of the South by decree of the federal government would have seemed a little fantastic when the war broke out. But then came what seemed to be a military necessity—the necessity of breaking the labor power in the South. There developed, furthermore, quite quickly, a disregard of property rights held by those who were military enemies. And so we have the emancipation of slaves—the extinction by executive decree of property rights which had always been regarded as sacred by the vast majority of Americans.

Another reversal of American practice came as an incident of war in 1898. This was the inauguration of a policy of overseas colonization by the United States by a government and people who had always stood against such a thing. "Imperialism" had always been frowned upon as a practice suitable to empires and monarchies, but not to republics. But then came the Spanish War and, incident to it, the conquest of the Philippines. There was a flurry of opposition, but it lost in influence after a while and the American people accepted quite as a matter of course their overseas responsibilities. They had not thought of such an issue in advance. They had not planned for it. They had not deliberately come to the conclusion that expansion beyond what appeared to be our natural borders was a good thing. But once the course was taken as an incident of a national emergency there was a quick reconciliation to the violation of American tradition.

A little later we come to another sudden reversal. The nations of Europe were engaged in war. Now a traditional American doctrine would teach that the United States should keep free of it. "Entangling alliances with none" was a venerated American slogan. Again in this case

the American people did not thrash out the issue of isolation versus the taking of a part in world responsibility. They did, however, become irritated. Some of them were scared. Others were eager for the adventure of war. Still others were outraged at what they conceived to be the wrongs committed by certain of the participants. As a result of these mixed emotions the United States found itself ranged alongside one set of combatants in the greatest war of history—a war of European origins and a war concerned pri-

## Laissez Faire Versus Governmental Control

By David S. Muzzey and Paul D. Miller

marily with European national interests.

Then we come to one of the latest illustrations of sweeping changes of sentiment—the surprising rush to prohibition at the close of the war. There had, indeed, been agitation against the liquor traffic for three quarters of a century. There had been a number of experiments with state prohibition. But one who had prophesied when the United States entered the war that within five years prohibition would be written into the national constitution, would have been considered a hardy prophet indeed. And yet not only was a prohibition amendment submitted by Congress but it was ratified by nearly all the states, even the industrial states such as New York and Pennsylvania. It is hard to see now how such a thing could have happened, but it did happen by a sweeping change of opinion. And now we are having a reversal of that sentiment by another change which is just as sweeping. Despite the dissatisfaction with prohibition, the most ardent advocates of repeal had no thought two or three years ago that repeal could be accomplished inside of a decade. And yet there is a real prospect now that a repeal amendment may be ratified before Christmas. Prohibition, which came in as a result of a great national emergency, the World War, seems likely to go out in the course of another great emergency, the depression.

These illustrations are cited to show how, when unusual occasions arise, the most hallowed of our doctrines and the most settled of our practices may be thrown aside. They are not thrown aside as a result of argument and of logical decision. They are abandoned because cir-

cumstances appear to call for policies contrary to them and these policies gain emotional sanction. In the light of these

#### Laissez Faire in American History

experiences we may examine the facts relative to governmental interference with business; the sort of interference which the Industrial Recovery Act and the farm legislation and other recovery measures represent. Let us consider first the circumstances under which the economic and political principles of *laissez faire* became popular in this country.

At the time of the winning of American independence, and for a long time thereafter, industrial and social life proceeded along simple lines. This was a land of small farmers and tradesmen. Business was not highly organized. At the same time there was plenty of land and apparently plenty of opportunity for profits by the exercise of individual initiative.

It seemed to the farmer or the tradesman of that time that he could get along very well if he were left alone. He was afraid of tyranny, and the tyranny with which he was familiar was that of a government, distant and yet strong, which had sometimes established rules of trade hurtful to him and which had granted special favors to certain classes of the population. Government was a thing foreign to him. It was something imposed from above. He did not control it, because the age of democracy had not yet come. When he thought, therefore, of freedom, he thought of freedom from the restraints of government.

At about this time there was a turn in the teaching of economics. Adam Smith

and his followers were furnishing the economic counterpart to the political ideas we have been considering. They were arguing that interferences by the government with industry were nearly always

contrary to the public good. They were preaching free trade. They were advocating a system in which business should be allowed to run its own course. They taught that if the avenues of trade were all free, producers would be led by self-interest to produce as much as, and no more than, was required. If too much was produced, prices would fall; if not enough, prices would rise. If wages fell to low levels the workers would go elsewhere for employment. If they became very high, competition for jobs would lower them. The best of conditions would prevail if only the economic life were allowed to proceed without the establishment of trade barriers or favoritisms of any kind by governments.

A "hands-off" policy such as these doctrines imply has never been followed to the limit. There have been tariff barriers, high or low, during nearly all of our history, and certain other measures of control or of interference have been in force. But the theory of non-interference by the political forces with business has in general prevailed. Conditions have been suitable for the working out of such a theory. During the nineteenth century there was free land. There were rich natural resources as yet unclaimed. If one were not doing well in his own business and his own locality he could find a new frontier by going west. There was a continent to be conquered, and while these natural resources were being exploited, there was free play for the exercise of individual initiative. It was true, as a matter of fact as well as theory, that rich rewards were in store for those who were energetic and resourceful. Individuals, each playing their own games, got along well. The level of prosperity was higher than anywhere else in the world, and there seemed to be a vindication of the doctrine of "rugged individualism."

But as time wore on certain things were happening which tended to change the picture. For one thing the relative equality

of other days was disappearing. New tyrants were arising. This time they were not governments but large aggregations of business which controlled huge

shares of natural resources or of business, in certain fields and which threatened to set prices and control wages and working conditions. The common people began to see the possibility that they might suffer as a result of the activities of these powerful business corporations. At the same time government was becoming a thing not so far away and not so much to be considered an enemy. Democracy was developing so that the people themselves controlled, or were legally in a position to control, their governments. There were restrictions upon the free movement of labor and of goods now as formerly, only in this case the restrictions were imposed not only by government but by private organizations. It was natural, then, that people desiring freedom should call upon their governments to come to their aid and preserve freedom against the threat which came from private business organizations. This desire for governmental interference in behalf of freedom is the

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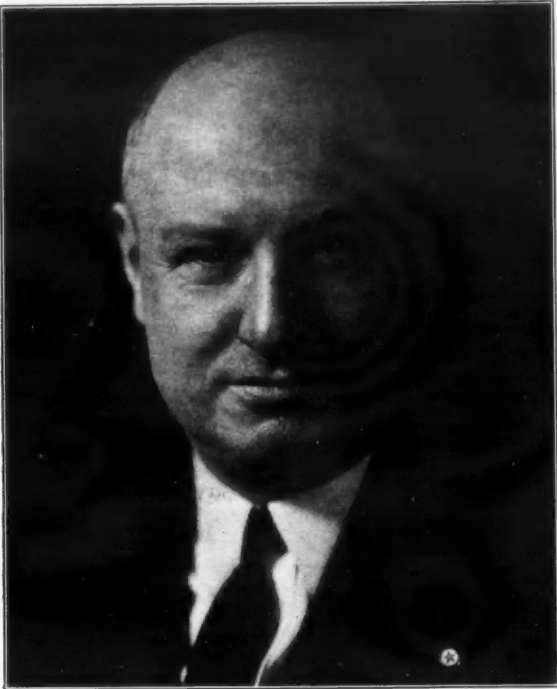
### 15 MILLIONS OUT OF WORK UNDER HIS SYSTEM



—Kirby in N. Y. WORLD-TELEGRAM

ONE VIEW OF LAISSEZ-FAIRE VERSUS PLANNING





JAMES A. FARLEY

© U. &amp; U.

The administration's patronage dispenser who has been severely criticized for following the spoils system in handing out government positions.

## Merit System Issue Threatens to Arise

(Concluded from page 1, column 1)

publican, by the way, is filling his Interior Department with some of the finest public servants ever gathered together under the big building's roof—men like Louis Glavis, who fought with Gifford Pinchot in the Ballinger-Taft conservation controversy; Harry Slattery, who uncovered the Teapot Dome scandal for the United States Senate; Indian Commissioner John Collier, the red men's fighting champion for thirteen years; many others. The same is true of Secretary Frances Perkins' Labor Department, slowly being made over in personnel and purpose from the government's most neglected department into a strong and useful service for the nation's 40,000,000 wage-earners. The National Recovery Administration is seeking out big and able leaders from industry and labor and accomplishing a marvellous feat in quick organization.

### A Dangerous Trend

But it is significant of a dangerous trend that not one of the emergency acts was passed by the new Congress with the usual Civil Service proviso and that, therefore, the spending of billions in the recovery program will be in the hands of politicians, largely chosen for their services as party yeomen. It cannot be forgotten that such great projects as the Tennessee River development, entailing the spending of many millions and the hiring of many thousands, will be undertaken minus the protecting bulwark of the Merit System. And no one can overlook the swarm of job-hungry Democrats that buzz about the capital like flies about a honey pot.

The blame should not be laid at any man's door. Smiling Jim Farley, whose avocation is being Postmaster General and whose vocation is that of administration patronage boss, has tried to stand off the fierce onslaughts of the "bread-and-butter men." The Tammany braves, who have built a branch wigwam down at Washington, know no other currency than the wampum of jobs and favors. The southern Democrats, more numerous than all the other spoilsmen, are, heaven knows, near starvation from twelve years of job-famine, including three terrible hard-time years. And, as Senator Ashurst of Arizona has said, there were many more victors at the November election than there were spoils.

President Roosevelt would like to go down in history along with Lincoln, Hayes, Garfield, Cleveland, the first Roosevelt and other defenders of the Civil Service. He has, indeed, voiced a promise

to put back on the federal payroll as many of the ousted merit men as possible. He is said to have agreed to a request by President William Green of the American Federation of Labor that a board of appeals be created to hear the complaints of those of the 4,000 ousted federal employees who feel they have been unjustly discharged. He has even instructed Mr. Farley to prepare legislation for the next Congress to put first, second and third class postmasters under civil service.

But champions of the long-fought-for merit system see little reason for the double-standard at Washington—a half-expert and half-political régime. Political opportunism such as this, they claim, has an evil effect not only upon the federal services but upon those of the states and cities as well.

States and smaller localities are beset with the same demons of favoritism and political gangsterism as is Washington. The federal government hands out to the faithful only 135,000 jobs, which take from the treasury only \$125,000,000 in salaries and wages. The states, counties and cities pass out three times that many jobs and that much money. In forty states practically all the positions are controlled by political organizations or parties. In only eight states are there the beginnings of effective systems of trained personnel. In the cities the business of expertly manning the offices is in its infancy. Although 400 or more cities have attempted to banish the Spoils System by adopting the city manager plan practically all of the larger municipalities are ruled by bosses and rings that dispense jobs on the basis of pull and reward for political activities. The movement toward a trained personnel in local government is just beginning. Under stress of hard times and the need for economy this movement should grow faster now than usual. Led by the example of a federal administration firmly insisting on merit in office the local movement would progress even faster.

### Historical Background

Victory for the Merit System has been won by dint of a running fight for efficiency in government that began under the young republic when George Washington refused to appoint his nephew, Bushrod Washington, to a federal office.

In 1820 under Monroe, William H. Crawford, then secretary of the treasury, put in a blow for the Spoils System by fathering the famous Four Years' Law, under which district attorneys, naval and customs officers, paymasters and other officers were turned out every quadriennium. But it was under Old Hickory's popular régime that the gates at Washington were opened widest to the new Democracy's faithful rustics, who poured in from the West and South. It was then that a Jackson editor coined the historic phrase: "To the victors belong the spoils." It was then that "the reign of King Mob seemed triumphant," and even the strong Jackson capitulated to their demands and threw every office

in the civil service open to competition.

Between 1845 and 1865 the Spoils System was at its heyday. Every quadriennial March 4 became a feast day for carving up the patronage among the hungry office seekers. The height of the system's folly appears to have been reached in 1857 when a State Department translator was ousted and his place given to a Tammany man on the ground that the latter could speak several Indian languages.

Lincoln was the first to call a halt. Although in his first term he protestingly followed precedent and let deserving Republicans have the offices of undeserving Democrats, he refused to make a clean sweep demanded in 1865 when he was inaugurated for his second term. Once pointing out to a friend a crowd of job-hunters he said: "There you see something which in course of time will become a greater danger to the Republic than the rebellion itself." And once to Carl Schurz he remarked: "I am afraid this thing is going to ruin republican government."

### Reform Movement

To Representative Thomas Allen Jencks of Rhode Island belongs the credit for the first real reform movement. In 1865 he introduced the first effective Civil Service bill. Grant favored the change and named a commission to study the reform. Hayes went farther and devoted two paragraphs in his inaugural message to Civil Service reform. Garfield was a martyr to the Spoils System. His platform called for a change "thorough, radical and complete," and when he was assassinated by a disappointed office seeker the Republicans were so alarmed by the popular reaction that they passed the first Civil Service reform act by an overwhelming vote of both houses and it became a law in 1883 under President Arthur.

Today, just fifty years later, civil service again is threatened. Its ideal is neither Republican nor Democratic. Among its staunchest defenders have been Cleveland and Wilson, as well as Roosevelt the First and other Republicans. Its workings have been far from perfect. Its importance today, however, lies in the growing intricacy of government and the demand for expert men and women to carry out the myriad new functions under recovery. Democracy, many think, cannot succeed in carrying its new burdens of regulation and leadership in industry, banking, colonization, mortgage, farm, hunger relief, transportation and other services without a trained, capable and effective personnel system. It has been suggested that along with the many new administrators being sworn in at Washington there be created a non-political personnel director, sworn to uphold the Civil Service ideal free from party influence. Such a system would protect the president from the spoilsmen of his own party and the people from the waste and extravagance of the old method.

"Pressure is being exerted now," says the *Federal News*, organ of the National Federation of Federal Employees, "and will continue to be exerted until the spoilsmen are scattered by an order lashing the Civil Service flag to the mast of every new agency of the federal government."

"For the good of the whole emergency program, for the good of the taxpayers of the nation who are entitled to 100 cents of value for every federal wage dollar expended, such a final, definite, decisive step should be taken without further delay."

## SOCIAL SCIENCE BACK-GROUNDS

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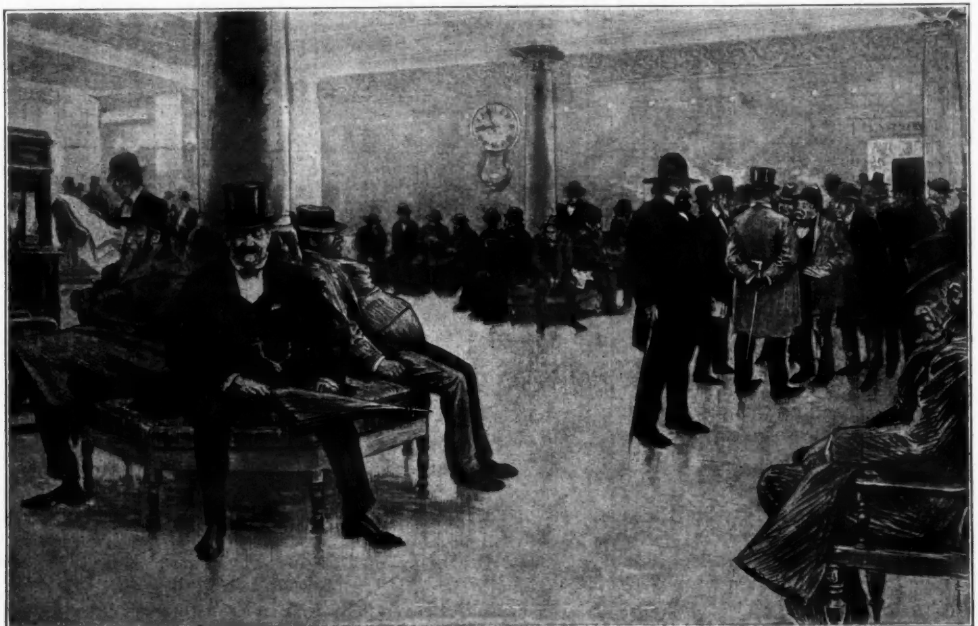
basis of economic liberalism during the last generation.

Lately there has developed another movement against the old *laissez faire*, or theory of non-interference by the government. It is promoted by those who hold that the free play of industrial forces, uncontrolled by government or any other planning agency, has resulted in chaos, has led to a faulty distribution of goods, to a disparity of wealth, to overproduction, underconsumption, glutting of markets, followed by the closing of factories and the breakdown of economic life in frequent depressions. And so the demand has arisen for economic planning. It has not commanded a great following. It has been advanced only by a few intellectuals.

But now suddenly in a time of crisis, a time of depression which has threatened utter chaos, we find ourselves in the midst of a great experiment in economic planning. We find the tradition of *laissez faire* set aside. We see the government supervising the establishment of conditions for every industry. We see it insisting upon the establishment of general rules as to working hours and wages. We see it engaged in an effort to control prices. There is some mumbling of protest, but in general this sudden reversal of policy is accepted by the people of the nation. It is accepted at least for the present. Whether it will prove to be a permanent development in American policy or a temporary experiment, like prohibition, is a question which may find an answer during the present administration.

## INDUSTRIAL GAINS

Secretary of Labor Frances Perkins estimates that more than half a million persons obtained employment during June in factories and non-manufacturing industries. This estimate does not include figures for the railroads, farms and certain other industries—industries which also have seen increases in employment. This is a gain of 7 per cent in employment over last month and it means that employment throughout the country is 14 per cent higher now than it was in March.



PATRONAGE IS AN OLD PROBLEM

Here is a congregation of office seekers in a Washington Hotel at the beginning of an administration half a century ago.

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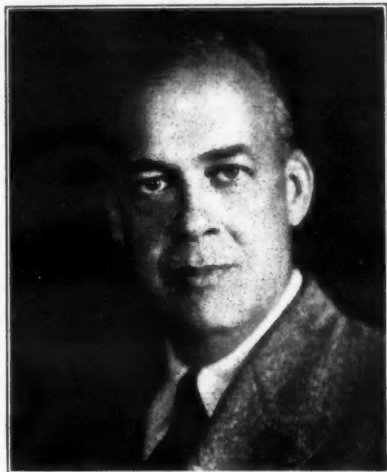


# Behind the Scenes in the Nation's Capital

**President Roosevelt Creates Executive Council to Coordinate Recovery Efforts. It is Composed of Quiet, Unassuming, Hard Working Men with Ideas; Men Such as Frank Walker, Henry Morgenthau, and George N. Peek.**

By Observer

President Roosevelt has assembled his collection of "new dealers" into an executive council so that the various projects affecting railroads, farms and farm credit, homes and home mortgages, budgets and budget-balancing and loans to industry may be coordinated. In some circles there is a disposition to nickname it a "super-cabinet," but the president and his advisers seek to avoid the use of that descriptive term. Its official title is the "executive council," even though it meets with the president once each week, taking the hour ordinarily reserved for the cabinet on Tuesday. Its assignment is to exchange ideas and information so that there



FRANK C. WALKER © U. & U.

will be no over-lapping, and so that suggestions which cannot be carried out by one agency, may be turned over to the specific one set up for that purpose.

It corresponds most closely to the Council of National Defense that was created during the World War to coordinate many phases of national activity. It consists of the heads of the new and far-reaching organizations that have been set up to promote industrial, agricultural and general recovery in one way or another. It is supposed to insure that there shall be no working at cross purposes, and that in all the turmoil which is Washington today, no avenue back to prosperity, or something like it, will be overlooked. Whereas the regular cabinet is supposed to carry on the more or less routine duties of the government, this agency is entrusted with the problem of going ahead with the many new extraordinary duties undertaken by the federal government since March 4, 1933.

Specifically, it consists of such officials as Henry Morgenthau, Jr., farm credit governor; George N. Peek, Jr., administrator of the allotment plan for agriculture; Jesse H. Jones, head of the Reconstruction Finance Corporation; Ex-Representative William F. Stevenson, president of the Home Loan Board; Joseph B. Eastman, railroad coordinator; and Budget Director Lewis Douglas. It is no select club, however, and as fast as other men are named to posts of importance in the New Deal, they will be asked to join this "baby cabinet." It is a group that is supposed to work and plan, and not just talk, as is so often true of cabinets.

The super-coordinator of this coordinating body is Frank C. Walker of Montana and New York, best known hitherto as treasurer of the Democratic National Committee and a close friend of the president. It is his job to coordinate the coordinators, and it lies within him to make his position one of the most important in the whole sphere of federal government. Ironically, it is the first political or governmental office Mr. Walker has held, and he had to be drafted, taking it only out of his great friendship for the president.

Mr. Walker hails from Montana, where he started a law practice that won him a fortune some years ago. He served as counsel for some of the largest mining companies in the state, and eventually landed in New York. There he became a great friend of James A. Farley, though there are contrasts in personality. "Jim" is a big, booming, energetic man, whereas Mr. Walker is quiet, rather shy and retiring. "Jim" is bald and sandy, while Mr. Walker is dark-haired, dark-eyed and much more youngish in appearance. But the two had this in common—a tremendous admiration for "F. D." as they call the president, who was then only governor of New York. Professing to know nothing of politics, Mr. Walker pitched into the first real movement to start Mr. Roosevelt toward the White House.

It was early in 1930, and "Jim" needed funds to finance his hunt for delegates. He also needed contacts in the West, where, it was obvious, the New York governor was strongest. Mr. Walker helped to provide both funds and friends. He and three others dug into their private pockets for \$10,000 each, the others being Jesse Straus, now Ambassador to France; William H. Woodin, now secretary of the treasury; and Colonel E. M. House, the famous "mystery man" of the Wilson administration. What happened a few years later as a result of that \$40,000 stake is old political history. And now Mr. Walker is helping to make it a good investment—for the people.

Frank Walker is not a dashing personality, and he is curiously unanecdotal. Ask his friends about him, including some of those around the White House, and all they can say is: "Well, Frank is a quiet, likeable and able boy, but I don't know anything very exciting about him." That anecdote, however, explains a lot about him. He is a doer instead of a talker.

## Another Friend of the President

Mr. Morgenthau, like Mr. Walker, is a close friend of the president—in fact, a Dutchess County neighbor, where he oper-



GEORGE N. PEEK, JR. © U. & U.

ates a highly successful fruit and dairy farm. Mr. Morgenthau is the son of former Ambassador Henry Morgenthau, who served in Constantinople during the war. A business man and builder, the elder Morgenthau wanted his son to become an architect. As a youngster, young Henry toddled around New York City streets while his father inspected and bought property, and got lessons in business as other boys got their A-B-C's.

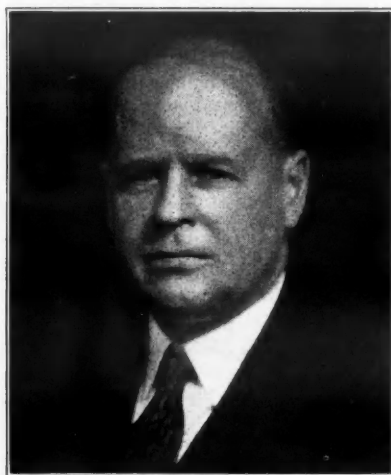
The father was an excellent bargainer, and thrifty. Once, when the two visited a candy store conducted by the boy's uncle, young Henry filled his hat with bon bons

as the two elderly men talked and went over the books. Upon noting the plunder, the father said to Henry: "Son, candy is money. Put every piece back where you got it." A good training for a man now handling billions worth of farm credits.

After convalescing from illness on a western ranch, the son decided that he preferred farming to architecture, and revamped his studies at Cornell. He was engaged in special diplomatic work during the World War, but on returning he bought a farm near Mr. Roosevelt's Hyde Park residence. Then he purchased a farming newspaper in New York, and made that a success. He is the same sort of farmer that the president is, overseeing the property but leasing it out to overseers on a share basis. He became Conservation Commissioner of New York under Mr. Roosevelt, and has had a great part in framing the program that calls for the retirement of poor, marginal land from production. Fewer men at the capital are closer to the president, who gets a peculiar pleasure from joshing the farm credit governor about his appetite.

## The Man from Texas

Jesse Jones is the promoter type, having attained great success as a business man and real estate dealer in Houston, Texas, and New York. He is also the owner of a leading newspaper in Houston, and he has many other industrial and financial irons in the fire. He is tall, slightly bald in front, bustling and never still. He showed his mettle in the spring of 1928 when he flouted tradition by persuading the Democrats to hold their national convention in Houston—the first time it was held in the deep South since before the Civil War. Then it developed that Mr. Jones, in addition to his other activities, also owned a great, big hotel in Houston. His friends are still joshing him about the coincidence, especially as the overflow caused some inconvenience to the guests—and to Mr. Jones. He was named to the R. F. C. by former President Hoover, and made its head by President Roosevelt.

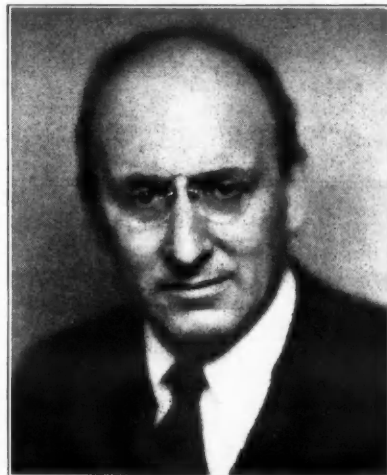


JOSEPH B. EASTMAN © U. & U.

Railroad Coordinator Eastman is quite a different type. In some ways one of the nation's leading railroad experts, he has preferred to devote himself to the solution of transportation problems as a public official. He made his great reputation when he straightened out Boston's tangled transit system some years ago, and advanced ideas of municipal control and ownership of railway lines that were then thought to be radical. He has been a member of the Interstate Commerce Commission for years, and has a reputation of placing the public interest first. There have been efforts to get rid of him during

the administrations of some recent presidents, but protests by such a prominent Progressive as Senator James Couzens always saved him. Now he acts as Mr. Roosevelt's trusted adviser on the railroad problem.

He looks and acts utterly unlike the man his record shows him to be. Personally, he is mild of manner and quiet in action. He smokes a pipe constantly, and displays nothing of the fire and strength that have cropped out on so many occasions. He appears to be out of his element when he enters the White House for the council meetings, going in quietly, half-fearfully, almost as if he were lost.



HENRY L. MORGENTHAU, JR. © U. & U.

Like Mr. Eastman, Mr. Peek has been the champion of a single idea for years, and now he sees it put into effect. He, too, is aggressive, persistent and unafraid, though quiet in manner. For a decade he braved the wrath of Republican friends, and the sneers of conservative economists, but he fought on, sometimes alone, for direct federal aid to agriculture—and got it. As a result, he now turns up as the administrator of the allotment plan. He smiles quietly—so does Mr. Eastman—when friends cite his record as the triumph of an idea.

Mr. Peek, as a youth, was field representative for a corporation manufacturing plows. Besides selling implements, and collecting for them, he often went into the field to help in repairing a broken-down machine. After the World War he saw at first hand the plight of agriculture, discovered that the farmer was too poor to buy plows, and decided that there must be a remedy. He brought his idea to Washington, and it became the McNary-Haugen bill, which, though passed by Congress, was vetoed by President Coolidge and denounced by President Hoover. After a vain effort to win the party over to his views at Kansas City in 1928, he declared for Alfred E. Smith. Last year he supported President Roosevelt because of the latter's ideas on agriculture.

A childhood incident serves to explain Mr. Peek. While walking barefoot into a village with another friend after a day in the woods, he heard his chum say that they must put on their shoes before going down the Main Street. George protested, whereupon his friend said: "But you wouldn't walk into town with your shoes strung around your neck, would you?" Young George would—and did. Utterly independent and fearless, he walked into Washington with economic ideas which many people thought were "barefoot"—but he is working some of them out now.

As may be seen, the executive council is not composed of colorful and spectacular figures. It is a group of quiet, persistent, hard-working men—which may be what such an agency needs.